

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 PA-01

USIA-06 PRS-01 NEA-09 EUR-12 /105 W

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P R 022325Z JAN 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC PRIORITY 3867

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 0028

E.O. 11652: GDS

TAGS: EINV ENRG EC

SUBJECT: TEXACO-GULF PROBLEM SOLVED BY GOE PASSING UP LATEST OPEC
INCREASE IN TAKE

1. A RELIABLE AND KNOWLEDGEABLE SOURCE TOLD ME JANUARY 2 THAT
TEXACO-GULF BELIEVES THAT ITS PROBLEMS WITH THE GOE ARE ABOUT
TO BE SOLVED AND THAT AS A RESULT IT IS INCREASING PRODUCTION
AND HAS NOTIFIED THE GOE THAT IT WILL LIFT 195,000 BARRELS
DAILY. THE FIRST SHIPS ARE SCHEDULED TO BEGIN LIFTING
JANUARY 6.

2. MY SOURCE TOLD ME THAT TWO DAYS AFTER MINISTER OF NATURAL
RESOURCES SALAZAR RETURNED FROM THE OPEC CONFERENCE IN VIENNA
ON DECEMBER 20 THAT THE OUTLINES OF THE SOLUTION WERE AGREED UPON.
A NEW DECREE HAS BEEN PREPARED INCORPORATING IT WHICH IS TO BE
PUBLISHED THIS WEEK. IT WILL PROVIDE FOR \$10.12 IN TAXES,
\$.24 FOR PIPELINE COSTS, \$.45 FOR PRODUCTION COSTS, AND
\$.23 FOR THE PAYMENT MAYDE BY TEXACO-GULF TO THE PREVIOUS
CONCESSIONNAIRE, MAKING A GOTAL OF \$11.04 AS THE TAX PAID
COST OT TEXACO-GULF FOR EQUITY CRUDE, AS IT HAS BEEN SINCE
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OCTOBER 1. MY SOURCE STATED THATTEXACO-GULF COULD NOW

SELL THE CRUDE FOR AROUND \$11.50, THUS PROVIDING IT WITH AN APPROXIMATE PROFIT OF \$.50 ON EACH BARREL. IN FACT, HE STATED, THE PROFIT WOULD BE SOMEWHAT GREATER DUE TO THE FACT THAT THE PRODUCTION COST WAS LOWER THAN \$.45.

3. THESE DEVELOPMENTS WERE REPORTED TO TEXACO-GULF HEAD-QUARTERS IN FLORIDA ON OR ABOUT DECEMBER 26 WITH THE RECOMMENDATION THAT THEY MAKE SOME "GESTURE" IN RECOGNITION OF THE PENDING SETTLEMENT. ON JANUARY 2 TEXACO-GULF OFFICIALLY NOTIFIED THE MINISTRY OF NATURAL RESOURCES THAT IT PLANNED LIFTINGS TOTALLING 195,000 BARRELS A DAY DURING THE MONTH OF JANUARY AND THAT IT HAS SCHEDULED SHIPS ACCORDINGLY.

4. I ASKED MY INFORMANT HOW THE GOE PLANNED TO EXPLAIN THIS MOVE POLITICALLY: HE DID NOT KNOW. I INQUIRED WHETHER THE GOE INTENDED FORMALLY TO ABOLISH THE TRV OF \$13.70: HE THOUGHT THEY WOULD NOT DO THIS NOW BUT IN THE RATHER CALSSIF ECUADOREAN MANNER IT WOULD SIMPLY DISAPPEAR. INSOFAR AS THE DISTRIBUTION OF THE TAXES TO THE NUMEROUS MINISTRIES AND OTHER GOE ENTITIES WHICH BENEFIT FROM THEM, HE THOUGHT THIS WAS SUCH A COMPLICATED MATTER THAT IF IT HAD NOT YET BEEN RESOLVED IT WOULD HAVE TO BE DEALT WITH LATER IN ANOTHER DECREE.

5. COMMENT: IF THINGS EVENTUATE AS DESCRIBED ABOVE, THE TEXACO-GULF PROBLEM WILL HAVE BEEN RESOLVED, AT LEAST FOR NOW. ECUADOR WILL BE BACK IN THE PETROLEUM BUSINESS, AND A SMALL BUT POSSIBLY SIGNIFICANT BREAK WILL HAVE BEEN MADE WITH OPEC.

6. I AM PLEASED TO ACKNOWLEDGE THAT MY FEARS THAT TEXACO-GULF PROBLEM WOULD FURTHER WORSEN WERE UNFOUNDED. IN THIS INSTANCE PRESIDENT AND MINISTER NATURAL RESOURCES SEEMED TO HAVE MOVED WITH SPEED TO SOLVE ECUADOREAN PRICE PROBLEM AFTER OPEC MEETING--AS THEY SAID THEY WOULD.
BREWSTER

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